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Arizona Corporation Commission

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OCT 4 2011

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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
CHAIRMAN

SANDRA D. KENNEDY
COMMISSIONER

PAUL NEWMAN
COMMISSIONER

BRENDA BURNS
COMMISSIONER

BOB STUMP
COMMISSIONER

IN THE MATTER OF THE)
APPLICATION OF TUCSON)
ELECTRIC POWER COMPANY FOR)
APPROVAL OF ITS 2010)
RENEWABLE ENERGY STANDARD)
IMPLEMENTATION PLAN AND)
DISTRIBUTED ENERGY)
ADMINISTRATIVE PLAN AND)
REQUEST FOR RESET OF)
RENEWABLE ENERGY ADJUSTOR.)

DOCKET NO. E-01933A-10-0266

SOLARCITY'S EXCEPTIONS TO
STAFF'S RECOMMENDED ORDER

SolarCity Corporation ("SolarCity"), by and through its undersigned counsel, hereby files the below comments and Exceptions to Staff's Recommended Order (the "RO") issued in the above referenced matter.

RESPECTFULLY SUBMITTED this 3rd day of October, 2011.

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1 **Original plus 13 copies of the foregoing**
2 **filed this 3rd day of October 2011:**

3 Docket Control
4 Arizona Corporation Commission
5 1200 W. Washington Street
6 Phoenix, Arizona 85007

7 *I hereby certify that I have this day served the foregoing documents on all parties of record in*
8 *this proceeding by sending a copy via electronic mail to:*

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10 Chief Administrative Law Judge
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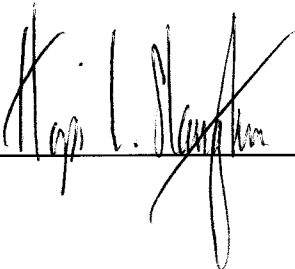
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1 **I. Discussion**

2 On September 9th, 2011, Tucson Electric Power Company ("TEP") ceased accepting
3 applications for residential distributed generation incentives due to an oversubscription of their
4 funds. TEP subsequently proposed restarting their residential UFI program by shifting funding
5 from the commercial PBI program into the UFI incentive pool. Staff has recently proposed
6 offering residential UFIs at a level of \$0.75/watt.

7
8 SolarCity believes that it is important for the market to have as much stability and
9 continuity as possible and we therefore support TEP's one-time request to reallocate unspent
10 commercial PBI funds to the residential UFI program. We would like to underscore that our
11 support for this request comes only because it is a unique situation and that we do not otherwise
12 support moving resources from one program to fund another.

13
14 SolarCity also feels that it would be most appropriate to set the residential UFI at
15 \$1.00/watt for the remainder of the year. SolarCity cannot support Staff's recommendation in
16 the RO that the incentive be set at \$0.75/watt. We believe this is too great a reduction too
17 quickly and would undermine the continuation of a stable, functioning market. SolarCity
18 believes \$1.00/watt is more appropriate and more aligned with recent Commission decisions
19 regarding solar incentives in APS territory. If \$1.00 is the proper incentive level in APS
20 territory, anything lower would be inequitable in TEP's territory where the economics of solar
21 are less compelling due to lower electricity prices from the utility and smaller economies of
22 scale. Ultimately, the proper incentive level for 2012 should be discussed and decided during an
23 open meeting at the Commission and should allow for significant input from the industry.
24 However, for the time being, any reallocated funding would be most effective if the incentive
25 was temporarily lowered to \$1.00/watt; anything below that would be damaging to the stability
26 of the industry in Tucson.

1 Above all, it is critical that TEP continue to accept reservations for the residential
2 program through the end of the year and seamlessly into next year. This allows SolarCity and
3 our counterparts to maintain our staffing levels and continue sales and marketing activities. If
4 the program abruptly stops and starts, it can lead to layoffs and cuts in spending. A stable and
5 consistent market is our number one priority. Thus, the Commission should approve this one
6 time request by TEP to reallocate incentive funding and the ACC should modify the Residential
7 UFI to \$1.00/watt. Further, the Commission should ensure that TEP continues accepting
8 applications for the remainder of 2011.

9
10 For the forgoing reasons SolarCity respectfully requests that the Commission enter its
11 Order granting TEP's one-time request and amending Staff's RO as detailed below.

12 13 **II. Proposed Amendment**

14
15 Page 3, Lines 18 through 23

16 **DELETE** everything after the word "adopted"

17
18 Page 4, Lines 17 and 25 & Page 5, Lines 4 and 28

19 **DELETE** "\$0.75" and **INSERT**: "\$1.00"